INTERNATIONAL TRADE - 1969

A period of unprecedented trade growth

The annual GATT study on international trade is published today. Most of the study is devoted to an analysis of trade flows in 1969 and of trends in the first half of 1970, but it also outlines trade prospects for major countries for the remainder of the year 1970.

The study points out that in 1969 "world exports increased by nearly 14 per cent in value," ($272 billion in 1969 as against $238.8 billion in 1968), i.e. "more rapidly than in any other year since the Korean price boom. There has thus been an eleven-year period of uninterrupted growth of world trade at an average annual rate of about 8 3/4 per cent. The volume of world trade having also expanded at an average annual rate of more than 8 per cent, compared to a rise in world commodity output by only 5 per cent a year, the period has been one of unprecedented trade intensification."

"The final stages of this expansion were marked by strong inflationary pressures in a large number of trading countries, which in due course affected the price level of international trade. The acceleration of the growth of trade in value terms between 1968 and 1969 was more than accounted for by the change in export prices, which rose by about 4 per cent in 1969 as against a decline by 1 per cent in 1968. At approximately 10 per cent, the rate of volume increase in 1969 was less than the all-time record of 12 per cent achieved in 1968."

Trade of industrial areas

In 1969 trade between industrial countries increased by 17.5 per cent, thus for the first time representing more than half the world's exports. The proportion of the import demand of industrial countries covered by supplies from neighbouring countries, in particular countries belonging to the same regional grouping, increased more strongly than in the preceding years. The GATT secretariat indicates that EEC's intra-community trade increased by approximately 26 per cent, trade between EFTA countries by 17 per cent, and trade between the United States and Canada by 14 per cent. These three trade flows together accounted for nearly 48 per cent of the aggregate trade of the industrial countries in 1969, as against 38 per cent in 1960.

Trade between the United States and Japan increased by nearly 20 per cent in 1969 - a particularly rapid rise, considering that the average annual growth rate between 1960 and 1968 was 14 per cent. In fact, throughout this period Japan was the United States' most rapidly growing export market.

"Japanese exports to the United States ($5,017 million) constituted the second most rapidly growing flow (after exports to the EEC which, however at $968 million/ still amount to less than one fifth of Japan's exports to the United States)."

There has been a shift in the vigorous economic expansion which began in the latter part of 1967 and is now no longer sustained by the United States and the United Kingdom, but by continental Europe. "Within continental Europe, the rate of expansion was fairly uniformly high in the countries of the EEC (except for Italy, where a widespread strike movement caused considerable production losses) and the EFTA, as well as in the other countries. More than two thirds of the 1969 increase in the imports of the developed areas can be attributed to the growth of European import demand. The EEC alone, which in 1967-68 accounted for roughly 35 per cent of these imports, was responsible for 51.5 per cent of their 1969 increase. The corresponding average and marginal shares of the United States and the United Kingdom combined were 30 and 15 per cent, respectively."

Trade of non-industrial areas

In 1969, for the second year in succession, the trade of the developing areas expanded at a very sustained rate, though less rapidly than world trade, bringing "the decade to a close with results that would have seemed unlikely, to say the least,... By 1969, the exports and imports of the developing countries were almost in equilibrium."
Imports progressed by 9 per cent while the growth of exports reached 12 per cent - a substantial acceleration as compared with the preceding year. Trade between the developing and the industrial countries progressed by more than one tenth in 1969. The trend was practically identical for trade between developing countries and the Eastern trading area but was perhaps a little slower between the developing countries themselves.

With a view to analyzing the long-term foreign trade trends of some eighty developing countries, the GATT secretariat grouped them according to the analogy observed between the growth of their imports and exports. The resulting classification comprises eight groups of countries whose trade accounts for nine tenths of the trade of the developing countries. One of the conclusions drawn by the GATT secretariat from this analysis is that "the factors fostering export expansion were the same in 1969 as in the preceding year. On the one hand, there was strong demand for raw materials from the developing countries ... On the other hand, the tendency towards rapid growth in exports of manufactures ... became still more pronounced".

Trade of the Eastern trading area

In 1969, for the second year in succession, "foreign trade of the Eastern trading area expanded at an accelerated pace ... although again less rapidly than world trade".

The growth of intra-regional trade was less strong than in 1968, while trade with the rest of the world expanded. Indeed, the study underlines that "the increasing trade dependence of the CMEA countries might be a feature of their growth for some time to come rather than an ephemeral or fortuitous phenomenon".

In several countries of the area, the evolution of planning methods has led to general economic reforms.

The slowing down of production growth and the intensification of trade with the rest of the world in the key sectors of petroleum and steel reflect the changes in direction of economic planning and their effects on trade.

This evolution of the economic development of the countries members of the Council for Mutual Economic Aid (CMEA) suggests that their trade, both intra-regional and with the rest of the world, will tend to progress more rapidly than their production.
Trade in commodities

In 1969, "the value of world trade in primary products and metals increased by 10 per cent, and thus equalled the exceptionally high rate recorded in 1964, to $116 billion, while trade in manufactures, excluding metals, advanced by 16.5 per cent to $151 billion".

For primary products and metals, as for manufactures, the rates of growth were higher than in 1968, but the most striking feature was that "the acceleration was sharper for primary products and metals than for manufactures".

Whereas in 1968 the expansion had been entirely in respect of the volume of trade, in 1969 it was due partly to price increases. Prices started climbing in the last quarter of 1968 and maintained an upward course throughout 1969 and the first half of 1970.

Inflationary trends will affect trade in 1970

The very marked expansion of world trade which began in the early part of 1968 continued throughout 1969. It was accompanied, however, by pressures and imbalances which resulted in the notorious international payments crises from the latter part of 1968 onwards. Between 1967 and 1969, the par value of the national currency was adjusted in eight industrial countries which together account for 37 per cent of the total export trade of the industrial areas. The increase in the unit value of exports of industrial countries, which reached an annual rate of 12 per cent in the last quarter of 1969, appears as exceptionally higher than the rise in internal prices. This is a particularly characteristic sign of the strong inflationary pressures which have become apparent.

World exports will increase in value by 8 to 10 per cent in 1970

At the beginning of the year, the GATT secretariat estimated that world trade might increase by 4 to 8 per cent in 1970. This forecast was based on the expectation of a 3 per cent growth in real gross national product for the industrial countries as a group. The somewhat weaker performance of the United States economy, which might have invalidated this forecast was offset by an expansion in Japan and Continental Europe that was stronger than expected. The study states that "the growth of the industrial economies as a group by 3 per cent, or perhaps only slightly less, in real terms would still indicate an increase in the volume of world trade by some 5-6 per cent".
In conclusion, the study states that "Given, however, the sharp upturn of
of the prices of traded goods that occurred in the last quarter of 1969 and has
continued into early 1970, the average price level in 1970 is likely to be some
3-4 per cent higher than in 1969 even if there is no further increase in the
second half of 1970. Consequently, the value of world exports in 1970 will
probably show a rise of about 8-10 per cent over 1969." All in all, this would
merely mean a return to normal with a rate close to the average of 3.75 per cent
achieved in recent years.

"The outlook for the latter part of 1970 and early 1971 will be determined
mainly by developments in the United States economy. Towards the middle of
1970, the United States economy seems to have stood at a crucial point of its
current slowdown, with expansionary and recessionary factors just about matching."